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FM SECSTATE WASHDC

TO IRAN COLLECTIVE IMMEDIATE

RUEHCP/AMEMBASSY COPENHAGEN IMMEDIATE 1112-1114

RUEHLE/AMEMBASSY LUXEMBOURG IMMEDIATE 6107-6109

RUEHNY/AMEMBASSY OSLO IMMEDIATE 8900-8902

RUEHSM/AMEMBASSY STOCKHOLM IMMEDIATE 8288-8290

RUEHTC/AMEMBASSY THE HAGUE IMMEDIATE 6678-6680

RUEHKO/AMEMBASSY TOKYO IMMEDIATE 0920-0922

RUEHHT/AMCONSUL HAMILTON IMMEDIATE 4593-4595

INFO RUEHRL/AMEMBASSY BERLIN IMMEDIATE 4039-4041

RUEHVT/AMEMBASSY VALLETTA IMMEDIATE 7546-7548

UNCLAS SECTION 01 OF 03 STATE 108151

SENSITIVE

C O R R E C T E D C O P Y (SENSITIVE CAPTION ADDED)

SIPDIS

E.O. 12958: N/A

TAGS: EFIN ETTC KNNP XF ZP ZR IR UK XG XT

SUBJECT: UK DECISION TO BAN THE PROVISION OF INSURANCE TO
IRISL

REF: A. A) LONDON 002351

¶B. B) STATE 104496

¶C. C) STATE 069339

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¶1. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

¶2. (SBU) On October 12, the United Kingdom banned British companies from trading with the Islamic Republic of Iran Shipping Lines (IRISL) and Iranian Bank Mellat. This ban was implemented under HM Treasury's authority under the Counter Terrorism Act (CTA), which entered into force on November 26, 2008. The ban against IRISL was implemented due to the services that the shipping line provides to Iran's Ministry of Defense and Armed Forces Logistics (MODAFL), which facilitates the transport of cargo for Iran's nuclear and ballistic missile programs. Due to this ban, it is now illegal for British Protection and Indemnity (P&I) clubs to offer services, including insurance coverage, to IRISL vessels. We understand that other members of the International Group of P&I clubs operate in your jurisdiction and may be approached by Iran to obtain services lost from the UK market. In order to send a strong message to Iran regarding its defiance of its international responsibilities and to protect against the risk of P&I clubs in your jurisdictions from facilitating proliferation-related shipments, Washington requests that posts approach host governments and request that they urge P&I Clubs in their jurisdictions to refrain from providing P&I Club services to IRISL. P&I Clubs should also recommend that their members exercise caution when asked to charter their vessels on behalf of IRISL, due to the risk that these vessels could be used to support IRISL's illicit activity.

ACTION REQUEST

¶3. (SBU) Washington requests Posts to pursue the following objectives with appropriate host government officials at the Office Director-level or higher in each host country's Ministry of Foreign Affairs and Ministry of Finance. Posts

should also work with representatives from the UK Embassy to deliver this demarche in tandem. HM Government has instructed its missions to reach out to U.S. embassies to coordinate timing details for this demarche. The points in this demarche have been coordinated with representatives from HM Government.

Documents relating to the ban can be found on HM Treasury's website at http://www.hm-treasury.gov.uk/fin_crime_policy.htm. Please refer to reftel for more detail about the background of this decision by HM Treasury and our demarches related to IRISL.

Host governments and their respective P&I clubs may ask for additional information on IRISL's deceptive practices. Posts should draw from the press release issued by the State Department on September 10, 2008 regarding IRISL's designation under E.O. 13382, which can be found at www.state.gov/r/pa/prs/ps/2008/sept/109485.htm; and the press release issued by the Treasury Department on September 10, 2008, which can be found at WWW.TREASURY.GOV/PRESS/RELEASES/HP1130.HTM. Posts are requested to pursue the following objectives:

-- Reinforce the importance of the UK's ban against IRISL and Bank Mellat.

-- Provide more information about the implementation of the ban in conjunction with HM Government.

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-- Urge host governments to ensure that P&I clubs in their jurisdictions refuse any requests to provide P&I Club services to IRISL.

BACKGROUND AND NONPAPER

¶4. (SBU) On October 12, 2009, the United Kingdom banned British companies from trading with the Islamic Republic of Iran Shipping Lines (IRISL) and Iranian Bank Mellat. This ban was implemented under HM Treasury's authority under the Counter Terrorism Act (CTA), which entered into force on November 26, 2008. The act prohibits the UK financial sector from engaging in business with the two Iranian entities and restricts the ability of financial and credit institutions (including Protection and Indemnity (P&I) Clubs which provide an array of services, namely insurance) from entering into new transactions or business relationships, or from continuing existing relationships.

IRISL AND ITS DECEPTIVE PRACTICES

-- IRISL is Iran's national, maritime carrier; it is a global operator with a worldwide network of subsidiaries, branch offices and agent relationships. It provides a variety of maritime transport services including bulk, break-bulk, cargo, and containerized shipping. These services connect Iranian exporters and importers with South America, Europe, the Middle East, Asia and Africa.

-- According to information available to the U.S. government, IRISL also facilitates shipments of military-related cargo destined for MODAFL and its subordinate entities, including organizations that have been designated by the United States under Executive Order (E.O.) 13382 and designated under UN Security Council Resolutions 1737 and 1747.

-- For example, IRISL in 2007 transported a shipment of a precursor chemical destined for use in Iran's missile program. The end user of the chemical was Parchin Chemical Industries, an entity designated under E.O. 13382 and listed in UNSCR 1747 as a subordinate of Iran's Defense Industries Organization. DIO was listed in UNSCR 1737 as an overarching, MODAFL-controlled entity that is involved in the

nuclear program.

-- In order to ensure the successful delivery of military-related goods, IRISL has deliberately misled maritime authorities through deceptive techniques. These techniques were adopted to conceal the true nature of shipments ultimately destined for MODAFL.

-- As international attention over Iran's WMD programs has increased, IRISL has pursued new strategies to maintain commerce which also afford it the potential to evade future detection of military shipments, including: falsifying shipping documents in order to hide the true end users of shipments; employing the use of generic terms to describe shipments so as not to attract the attention of shipping authorities; and creating and making use of cover entities to conduct official IRISL business.

-- These tactics are exemplified by the case of the M/V MONCHEGORSK. On January 19, 2009, the USS SAN ANTONIO conducted a compliant boarding of the M/V MONCHEGORSK in the Red Sea. Owned by a Russian company and registered in Cyprus, the MONCHEGORSK bore no overt legal connections to Iran. However, upon examination of the ship's documents, the paperwork revealed that it was under charter to IRISL and carrying component materials for high-explosive ammunition from the Iranian Defense Industries Organization to Syria's Industrial Establishment of Defense. The ship was requested by the flag state to divert to Cyprus, where the cargo was detained. The cargo was determined to be in violation of UNSCR 1747, which restricts Iran from the "supply, (sale) or transfer ((of) arms or related material." While this cargo was not associated with Iran's or Syria's ballistic missile programs, the methodology used indicates a willingness by Iran and IRISL to employ evasive measures beyond renaming and reflagging in order to move goods in violation of international sanctions.

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HM TREASURY'S BAN AND ITS EFFECT

-- HM Treasury's ban requires the immediate cancellation of P&I insurance contracts with IRISL, but allows a license for seven days to permit continued third party coverage for ships at sea. In general, licenses will only be granted to help close down existing business - not to continue a business arrangement. Two British clubs provide P&I services for IRISL: North of England and Steamship Mutual. For all practical purposes, these clubs will no longer provide P&I Club services to IRISL.

-- As more and more reputable businesses decide to curtail or end business relationships with Iran, Iranian entities have sought new outlets to access international financial services. In the wake of this decision by the UK, we expect IRISL to continue this pattern and seek insurance coverage from other P&I Clubs.

-- We understand that other members of the International Group of P&I clubs operate in your jurisdiction. In order to send a strong message to Iran regarding its defiance of its international responsibilities, and to protect against the risk of P&I Clubs in your jurisdiction from facilitating proliferation-related shipments, we request that you approach P&I clubs in your jurisdiction and urge them to refrain from providing any P&I services to IRISL and its vessels. P&I Clubs should also recommend that their members exercise caution when asked to charter their vessels on behalf of IRISL, due to the risks that these vessels could be used to support IRISL's illicit activity.

-- We look forward to working with you on this and other related security and counterproliferation matters, and are prepared to provide additional assistance as appropriate.

REPORTING DEADLINE

¶5. (U) Post should report results within seven business days of receipt of this cable. Please slug replies for ISN, T, TREASURY, INR, EUR, and NEA. Please use the caption SIPDIS in all replies.

POINT OF CONTACT

¶6. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408.

¶7. (U) Department thanks Post for its assistance.
CLINTON